

Profimex Market Research Update – April 14, 2020

Fed's Latest Stimulus Includes CMBS Relief

Late last week, the Federal Reserve announced an additional monetary stimulus package of \$2.3 trillion. This new amount will commit hundreds of billions of dollars in loans to mid-sized business, as well as much-needed support to states and large counties. This new stimulus also includes support for CMBS, as the Term Asset-Backed Securities Loan Facility (TALF) will now



include legacy CMBS as eligible collateral, according to the CRE Finance Council. This is a significant step in the recovery of the real estate debt market.

Multifamily Renters (Mostly) Pay on Time as COVID-19 Spreads

While paying rent on time in April proved to be difficult for millions of Americans, most renters in the US had been able to pay their rent. The National Multifamily Housing Council (NMHC)'s Rent Payment Tracker found that 69% of households had paid their rent by April 5, compared to 81% that had paid by March 5, 2020, and 82% that had paid by the same time last year.



“The COVID-19 outbreak has resulted in significant health and financial challenges for apartment residents and multifamily owners, operators and employees in communities across the country,” said NMHC president Doug Bibby. “However, it is important to note that a large number of residents met their obligations despite unparalleled circumstances, and we will see that figure increase over the coming weeks. That is a testament to the quick, proactive actions taken by NMHC members who put forward bold solutions.”

As part of a COVID-19 resource page on its website, NMHC has developed talking points that property owners and managers can use to help guide discussions or communications with residents who have been impacted. Those talking points include a reminder to unaffected residents that their rent is still due.

Investors Adjust to Cascading Effects of Absent Rental Income



With millions of Americans (almost one third) and business unable to pay their rent in April, many landlords will have trouble making their loan payments on time. This could heavily strain the mortgage market in the coming months. This absence in liquidity is creating great uncertainty to many real estate managers. The positive note is that real estate has thus far proven resilient to other sectors, and many believe this to be because most executives today have been through two or three catastrophic events in their careers (i.e. the Great Recession and 9/11).

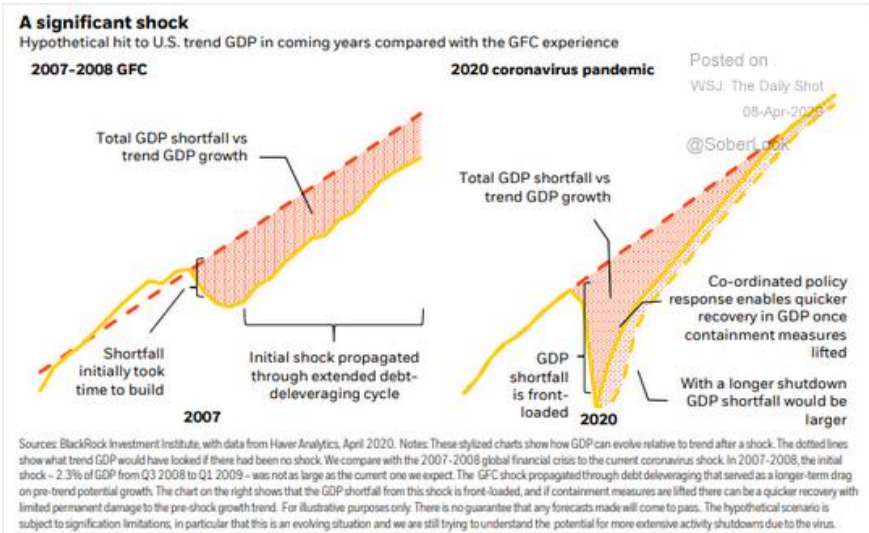
With Stores Closed, Can E-Commerce Make Up for Lost Sales?

As most states in the US have issued strict quarantine measures, it has forced non-essential retailers to temporarily close their brick and mortar locations. In total, online sales in the US make up around 10% of total retail sales. As consumer discretionary spending has dramatically



dropped, it will be difficult for retailers to even sell via ecommerce. Companies like Lululemon and Amazon that have strong ecommerce sales already will have an easier time weathering this period. Additionally, for example, companies like Macy will have a difficult time competing against Target, which sells many items that are in-demand today.

How the COVID 19 Recession Compares to Previous ones



INITIAL UNEMPLOYMENT CLAIMS (MILLIONS) 2020 RECESSION

WEEK ENDED MARCH 21	3.31
WEEK ENDED MARCH 28	6.65
	9.96

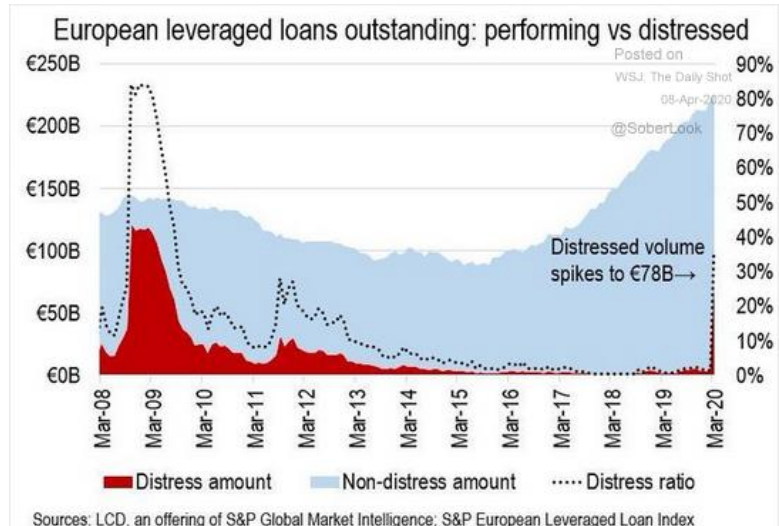
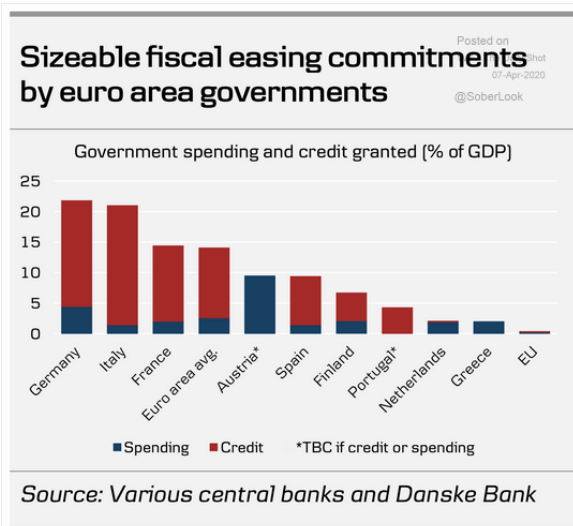
PRIOR RECESSIONS* NUMBER OF WEEKS TO REACH 9.96 MILLION

Dec-69	Nov-70	36
Nov-73	Mar-75	33
Jan-80	Jul-80	20
Jul-81	Nov-82	21
Jul-90	Mar-91	24
Mar-01	Nov-01	25
Dec-07	Jun-09	27
7-RECESSION AVERAGE		27

*THE INITIAL CLAIMS SERIES BEGINS IN 1967.

While COVID 19 brought about an economic shock to the world, it's expected to be short lived. The US economy experienced a sharp drop off in late March, at a much faster pace than previous recessions. That being said, most experts predict that we will be able to recover relatively quicker compared to past recessions; since prior to the negative economic shock the global economy was fairly healthy. Additionally, economists, at the moment, are not predicting an economic fallout similar to the Great Depression.

Europe's Current Debt and Fiscal Spending



The above charts depict how the governments across the EU have had to issue an increasing amount of debt that has issued to combat the COVID 19 crisis. Even countries like Germany that have been traditionally against fiscal spending to help boost the economy with debt has issued borrowed heavy.